

Message Text

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ORIGIN TRSE-00

INFO OCT-01 ISO-00 EUR-12 EB-07 FRB-01 SIG-02 AID-05
CEA-01 CIAE-00 COME-00 EA-09 INR-07 IO-13 NEA-10
NSAE-00 USIA-15 OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01
AGRE-00 OMB-01 PA-02 PRS-01 /102 R

DRAFTED BY TREAS:JMABBOTT:LAL
APPROVED BY EUR/RPE:ACALBRECHT
TREAS:FLWIDMAN
EUR/RPE:RSGELBARD
EB/IFD/OMA:CCUNDIFF
FRB:CSIEGMAN

-----120400Z 012394 /71

R 112258Z JAN 77
FM SECSTATE WASHDC
TO ALL OECD CAPITALS

UNCLAS STATE 006185

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: TREASURY-FRB STATEMENT ON STERLING BALANCES AND
BIS PRESS COMMUNIQUE

1. THE FOLLOWING IS COMPLETE TEXT OF TREASURY-FRB PRESS
STATEMENT ON STERLING BALANCE AGREEMENT.

1A. "THE TREASURY DEPARTMENT AND FEDERAL RESERVE TODAY
ANNOUNCED THAT THE U.S. WILL PARTICIPATE IN THE ARRANGE-
MENTS AGREED IN PRINCIPLE AT BASEL FOR A MEDIUM-TERM
FACILITY IN THE AMOUNT OF 3 BILLION DOLLARS RELATING TO
OFFICIAL STERLING BALANCES. THE U.S. PARTICIPATION IN THIS
STANDBY FACILITY WILL BE IN THE AMOUNT OF 1 BILLION
DOLLARS. IT WILL BE PROVIDED THROUGH THE FEDERAL RESERVE
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SYSTEM AND THE U.S. TREASURY EXCHANGE STABILIZATION FUND.

2. THE PURPOSE OF THESE ARRANGEMENTS IS TO REINFORCE
THE INTERNATIONAL MONETARY SYSTEM BY HELPING THE U.K.
ACHIEVE AN ORDERLY REDUCTION IN THE RESERVE CURRENCY ROLE
OF STERLING AND IN THIS CONNECTION TO FACILITATE THE FUND-
ING OF A PORTION OF BRITAIN'S EXTERNAL LIABILITIES. THE

BIS WILL COOPERATE IN THE ARRANGEMENTS AND THE MANAGING DIRECTOR OF THE IMF IS BEING ASKED TO ASSIST IN THEIR

IMPLEMENTATION. THESE STERLING BALANCE ARRANGEMENTS WILL REINFORCE THE ECONOMIC PROGRAM UNDERTAKEN BY THE U.K. IN CONNECTION WITH THE 3.9 BILLION DOLLAR STAND-BY AGREED WITH THE IMF ON JANUARY 3, 1977. A COPY OF THE PRESS ANNOUNCEMENT MADE BY THE CENTRAL BANK GROUP IN BASEL IS ATTACHED."

3. FULL TEXT OF BIS PRESS COMMUNIQUE IS: "DISCUSSIONS HAVE RECENTLY BEEN TAKING PLACE BETWEEN THE UNITED KINGDOM AND THE OTHER GROUP OF TEN COUNTRIES AND SWITZERLAND ON THE SUBJECT OF STERLING BALANCES. THESE DISCUSSIONS FOLLOW THE SUCCESSFUL CONCLUSION OF THE UNITED KINGDOM'S APPLICATION TO THE INTERNATIONAL MONETARY FUND AND WERE PROMPTED BY A SHARED DETERMINATION TO MAKE A JOINT CONTRIBUTION TO GREATER INTERNATIONAL MONETARY STABILITY.

4. FLUCTUATIONS IN THE OFFICIAL STERLING BALANCES HAVE AT TIMES IN THE PAST BEEN DISRUPTIVE TO THE UNITED KINGDOM'S ECONOMIC POLICIES AND TO THE INTERNATIONAL MONETARY SYSTEM. THE AIM IN THE DISCUSSIONS HAS THEREFORE BEEN TO PREVENT SUCH INSTABILITY IN THE FUTURE. IN THESE CIRCUMSTANCES, THERE WAS GENERAL WELCOME TO THE UNITED KINGDOM'S DECLARED POLICY TO ACHIEVE AN ORDERLY REDUCTION IN THE RESERVE CURRENCY ROLE OF STERLING. TO SUPPORT THESE AIMS, AGREEMENT IN PRINCIPLE HAS BEEN REACHED BY GOVERNORS OF THE CENTRAL BANKS CONCERNED, ON A MEDIUM-TERM UNCLASSIFIED

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FINANCING FACILITY IN THE AMOUNT OF 3 BILLION DOLLARS RELATED TO THE OFFICIAL STERLING BALANCES, WHICH AT END-SEPTEMBER WERE VALUED AT 3.8 BILLION DOLLARS. THIS STAND-BY FACILITY WILL BE PROVIDED TO THE BANK OF ENGLAND BY THE BIS, BACKED UP BY THE PARTICIPATING COUNTRIES. THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND IS BEING REQUESTED TO ASSIST IN THE IMPLEMENTATION OF THE AGREEMENT.

5. THE PARTICIPATING COUNTRIES ARE BELGIUM, CANADA, GERMANY, JAPAN, THE NETHERLANDS, SWEDEN, SWITZERLAND AND THE UNITED STATES OF AMERICA. OTHER COUNTRIES MAY WISH TO PARTICIPATE LATER.

6. AS PART OF THE OPERATION THE UNITED KINGDOM INTENDS TO OFFER SECURITIES IN THE FORM OF FOREIGN CURRENCY BONDS TO PRESENT OFFICIAL STERLING HOLDERS."

ROBINSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, STERLING (CURRENCY), PRESS RELEASES, BALANCE OF PAYMENTS AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE006185
Document Source: CORE
Document Unique ID: 00
Drafter: JMABBOTT:LAL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770011-0300
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770161/aaaacbru.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3a082fdb-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3622092
Secure: OPEN
Status: NATIVE
Subject: TREASURY-FRB STATEMENT ON STERLING BALANCES AND BIS PRESS COMMUNIQUE
TAGS: EFIN, UK
To: OECD POSTS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3a082fdb-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009